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South America

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Notes on a recent trip by R. C. REIK, of the firm

AS the economic demands of the world compel the searching out and development of new fields for the use of capital, so must public accountants follow and be available to serve business, first, with the "shock troops" of capital in the investigation of investment possibilities, and later, in safeguarding the employment of capital and in verifying the accounting for its use. The extent and continued growth of the practice of our firm requires our presence (either through our own established offices or through the representation of and affiliation with other public accounting organizations of world-wide reputation), not only in South America but practically in every country on the globe. In the fall of 1928 the firm considered that the time had arrived when we should become better acquainted by first hand knowledge and information with the development of certain of the South American countries. Hence, my visit to Brazil, Uruguay, Argentina, and Chile, with port calls at Barbados and Trinidad in the West Indies, covering the period of approximately three months from October 27, 1928, to January 23, 1929.

At the mere suggestion of a trip to South America, involving days of passage through the equatorial region, one naturally thinks of a number of handicaps. But life is replete with compensations, and, in spite of its "ups and downs," travel in the tropics (on land as well as sea) is not necessarily a hardship. Travel facilities between the Americas, North and South, are very good and are being constantly greatly improved, sailing schedules are ample, and the steamer accommodations are more comfortable than might be expected, although facilities for railroad travel on land are not as extensive as we are accustomed to find at home. Nevertheless, to the extent to which rail facilities are available, and that covers a great many of the most important points, the service does not suffer from the lack of modern and comfortable equipment.

If a trip is prescribed for business or pleasure purposes, especially during the Northern winter season, let us say from the snow and ice-bound region of Niagara to the warm sunshine and the glorious moonlight of the tropics, can one say that the "medicine" should be a subject for complaint? Some there were who considered me lucky to have the opportunity of making this trip, and they and others considered me luckier still to have safely returned, and numerous inquirers have asked if I carry a rabbit's foot for luck. Admittedly, I was fortunate in my travels to have missed by one trip being a passenger on an ill-fated vessel which sank during my voyage south; to have crossed the Andes Mountains westward by train on the last trip immediately before and returned eastward on the first trip immediately after a serious washout and landslide which caused a suspension of all rail transportation on that line for nearly one week; and not to have suffered any physical injury nor to have entirely succumbed to fright during a series of earthquake shocks in Chile, in which I was an unwilling participant. I am not particularly reliant upon tokens of good luck and do not carry a rabbit's foot, because, for one reason, I cannot overlook the fact that at one time such a talisman must have belonged to an animal which had four of them, and certainly it did not bring him any good luck. Whatever the element of luck or fortune, the trip will remain a never-to-be-forgotten event.

The lesson in geography itself was almost worth the trip. With apologies to Ripley, but in true "Believe it or not" style, how many of us know that the distance is

14,000 miles from New York to Valparaiso and return by the East Coast route; that in rounding the easternmost point of Brazil one is half way across the Atlantic Ocean; that the climate in the Zone of the Equator is pleasant to live in; that in area Brazil occupies 45% of the South American continent and is equal to that of the United States (without Alaska), England, Ireland, Scotland, Wales, the Netherlands, Belgium, Switzerland, and Portugal combined; that the area of Uruguay exceeds that of New England; that the longest stretch of absolutely straight line of railroad track in the world is on the Trans-Andean railroad in Argentina—175 miles without a suggestion of a curve; that the highest mountain peak in the Western Hemisphere and the second highest in the world is Aconcagua in the Andes, and, not the least important, that the colonial beginnings in Spanish America are more than a hundred years older than ours? These and many other points of interest and knowledge are to be learned by a visit to the Far South, of which part of the world we are, perhaps, destined to hear more than of the Far East during the next few decades.

If one contemplates a trip to South America for business or pleasure, or if interested merely in increasing one's knowledge of its history and development, inquiry of any good library or book dealer will disclose an extensive bibliography, much of which is of recent origin and entirely reliable. Also, there is a wealth of statistical data available through the Bureau of Foreign and Domestic Commerce of the United States Department of Commerce, and much general information through the columns of the monthly magazines published in English under the auspices of the American Chambers of Commerce for the several countries of South America.

Every visitor to South America and everyone else who has an interest there, no matter how remote it may be, should become acquainted with the principal characteristics of the several political subdivisions of the continent and of their inhabitants, and this knowledge may be readily obtained by a moderate amount of reading of available literature.

The universal language throughout South America is Spanish, except in Brazil where Portuguese is spoken. In the best hotels one can manage fairly well with English, but travel in the interior presents many difficulties and embarrassments unless one has some familiarity with the native language. Always, in one's travels, courteous treatment is the rule, although it is natural that language limitations will occasion some misunderstandings. The educated classes have assumed a national dignity which at times is most painfully in evidence and causes them to attribute ulterior motives to the most innocent statements of other nationalists. In particular, they have an intense resentment against what they believe to be the paternalistic attitude of the United States. They bitterly oppose any hint that they are our "Little Brothers" needing the protection of a Monroe Doctrine, and eternal vigilance is required to see that this feeling is not unnecessarily aggravated.

The scenic beauties of the South American countries beggar description except by an artist. The bleak snow-capped mountains of the Andes, which may be crossed by rail at an altitude of nearly two miles, afford views which it is claimed, and apparently with abundant justification, cannot be excelled elsewhere in the world; the harbor of Rio de Janeiro is claimed and generally admitted to be the most beautiful in the world; and most of the large cities have clubs, parks, boulevards, and theatres which surpass those to be found anywhere in North America. The climate generally is sufficiently warm to be conducive to languor, but nowhere is there evidence of slothfulness. The na-

tural benefits of the climate are evidenced by the agricultural productivity, by the abundance of fruits and flowers, and, in the more tropical sections, by the magnificent ocean bathing beaches. Incidentally, it was possible to enjoy out-door swimming in the tank erected on the steamer deck until within two days of New York on the return trip in January. At Barbados the multitude of divers for coins always provides interesting entertainment for the passengers on ships at anchor there. One intrepid fellow, for a compensation of one American dollar, dived from the uppermost deck of our ship, swam under the ship, and came to the surface on the opposite side. It was agreed that he earned that dollar.

In all of the large cities of South America the conventionalities in dress are observed quite as they are in other large cities of the world, with a noticeable emulation of Paris, for example, but one does not pass far from the beaten track nor into the great "open spaces," particularly in the warmer climes of Brazil and the West Indies, without being attracted by the practical methods adopted in the struggle for comfort in dress—sometimes without overmuch regard for what their distant neighbors may thinks of their ideas of modesty. Mr. Kipling's comments anent Gunga Din might not inappropriately be applied to some of the natives:

"The uniform 'e wore
Was nothin' much before,
An' rather less than 'arf o' that be'ind."

President-Elect Hoover's recent visit to the Latin American countries has been of great mutual benefit to the peoples of both continents, and, by reason of its timely arrangement, has brought to the entire universe some intimate knowledge of the peoples of those countries and their present-day activities. It was aptly pointed out by Mr. Hoover, in a speech in Brazil, that international commerce is the life-blood of modern civilization, and that the high standards of living now prevalent have created demands which make the interchange of products between nations an absolute necessity, not a luxury. For example, unless our country imported from tropical countries, we would not have automobiles, telephones, radios, electric lights, and hundreds of other articles which Americans feel they cannot do without.

Of the countries which I visited, Brazil is by far the largest in area and in population. It has approximately forty million inhabitants. Its two principal cities are Rio de Janeiro, with a population of about one and one-half millions, and São Paulo, with a population of about one million. The latter city has had a remarkably rapid growth in recent years, and is generally referred to as the Chicago of South America. There is also Santos, a city of about one hundred thousand inhabitants, which is the largest coffee shipping port in the world. Argentina has a total population of about ten millions, of whom about two and one-half millions reside in Buenos Aires, which is the largest city in South America and is proud of its resemblance to Paris. The total population of Chile is about four millions. Its largest city is Santiago, which has about five hundred thousand inhabitants, and its second largest is the seaport of Valparaiso, which has about two hundred thousand inhabitants. Uruguay's population comprises about two millions, and approximately five hundred thousand of them live in the city of Montevideo.

The members of the English and American colonies in South America do not comprise a very large proportion of the total population, but the English-speaking colonies are steadily increasing in numbers. In all of the larger cities they have their own town and country clubs, which provide a most interesting phase of social life, and they have accomplished wonders in

awakening and promoting the interest of the native inhabitants in all branches of athletics and sports. Throughout South America may be found some of the finest clubs in the world. Without attempting to present an inclusive list of the clubs, nevertheless, it would seem not to be amiss to mention the Jockey Club in Buenos Aires (perhaps the richest club in the world); the Hurlingham Club, just outside of that city and devoted primarily to athletics; the many very fine boating clubs situated along El Tigre River; the Union Club in Santiago, designed to surpass in luxury any other club house in South America; the Viña del Mar club located in the beautiful suburb of that name just outside Valparaiso; the Automovel Club in São Paulo; the Jockey Club in Rio de Janeiro; and many other English or Anglo-American clubs in each of the principal cities. While it is important that visitors to South America should not fail to see these delightful clubs, to permanent or semi-permanent residents they are an absolute necessity.

As the marvelous natural resources of South America are developed, and as such development is hastened and increased by the employment of foreign capital and modern methods, it is but natural that the population and wealth of those countries should rapidly increase. Banking facilities for American business have greatly increased since the World War, and at the present time several of the largest banks in the United States are represented in South America by branches which compare favorably in every way with those of the great banks of other nations which have been longer established there.

The trade of the United States with Latin America in 1925 amounted to more than $1,900,000,000.00, or 21% of our total foreign commerce, divided into slightly more than $1,000,000,000 of imports and slightly less than $900,000,000 of exports. The exports from the United States, in the order of their value, were cotton goods, iron and steel wares, petroleum products, grain and flour, automobiles and parts, lumber, lard, agricultural implements, electrical machinery, chemicals, and manufactures of leather, rubber, etc. Of the five leading imports of the United States (raw silk, sugar, coffee, crude rubber, and wool), nearly all of the sugar and coffee and large quantities of rubber and wool come from South America.

Since the World War American exports to Brazil have tripled and imports from Brazil have more than doubled. Brazil produced in the season of 1927–28 over 28,000,000 bags of coffee, or 78% of the world production. Coffee constitutes 75% of the total value of Brazil's exports. In connection with the rubber industry it is interesting to note that development of the Henry Ford rubber project on the Topajos River in Brazil has started. The rapid growth of the province and State of São Paulo is illustrated by the facts that from 1910 to 1925 the income of the state grew from 43,000,000 milreis to 353,000,000 milreis, or more than eight times, and that exports from Santos, which is the chief seaport of the State of São Paulo, grew from 282,000,000 milreis to 2,192,000,000 milreis, or nearly eight times, and that nearly one-half of the increase in each occurred during the last five years of the period, that is from 1920 to 1925. The total foreign investment in Brazil at the close of the year 1926 has been estimated at $2,500,000,000. Considering the heavy influx of American capital into Brazil since that year, the total investment of foreign capital in that country now is unquestionably much greater. Brazil is somewhat farther advanced than her sister republics in the building of good roads, and the carrying out of her program for road building should help greatly in the early development of the natural resources of the country and in attracting additional foreign capital for that purpose.

Argentina imports more from the United States than from any other nation. Of the automobiles sold in that country 95% are of American make. In 1909 Argentina imported less than 900 United States motor vehicles, but in 1927 imported nearly 45,000 and the estimate for 1928 is 65,000. In 1927 Argentina ranked as the second most important export market for United States passenger cars, and this despite the fact that because of the absence of good roads their use is almost limited to Buenos Aires and a few of the largest towns in the country. Argentina also imports a large quantity of agricultural equipment. The principal products of the country are meat and grain and its principal exports to the United States are linseed, hides and skins, wool, and quebracho. The Argentine freezing plants rival those of any other place in the world. During the four years from 1910 to 1913 Argentine imports from the United States averaged 62,000,000 gold pesos annually and her exports to the United States averaged 27,500,000 gold pesos annually. During the eight years following the World War the imports increased to an average of 240,000,000 gold pesos and the exports increased to an average of 110,000,000 gold pesos.

Chilean imports from the United States practically outstrip those from all other nations combined. Chile buys from the United States about $250,000,000 of products every year and sells to us about twice that amount. The copper, nitrate, and iron ore industries of Chile are for the most part in American hands, as also at this time are most of the electric power generating plants in central Chile.

The chief products of the British island of Barbados are sugar and sea-island cotton, although bananas, molasses, tropical fruits, etc., are also produced. Trinidad, the most southerly of the British West Indies, is a large producer of cacao, sugar, and coconuts, and is famous for its natural asphalt lake, which is leased by an American company. This is the world's greatest asphalt supply.

The legal requirements in respect of business transactions in South America are numerous and frequently decidedly onerous, and, to add to the general complexity of the situation, they differ in many essentials in each of the several countries. It should not be forgotten that, although there is a United States of Brazil and other confederations of states in South America, there is not a United States of South America, and each of the several countries is at least as independent of thought and as jealous of its prerogatives as are nations in any other part of the world. It would be well for American business enterprises which contemplate ventures into South America to first confer extensively with capable advisers regarding the local regulations and requirements both precedent to and during the continuance of activities. Matters requiring the most careful consideration, for example, are the decision as to the form in which business is to be conducted; its registration and the cost thereof; the periodical publication of financial reports; the registration of trademarks, trade-names, patents, etc.; the numerous taxes to which business is subjected; the necessity for the use of certain books of account which must be officially approved and stamped by the government before entries are made therein; the requirements in some countries for sending to all purchasers duplicates of invoices which must be accepted and returned to the vendor within a limited time in order to constitute a legal basis for action to recover the debt; the necessity for the use of sales stamps and documentary stamps; and the advanced legislation in respect of the employment of labor—particularly the laws dealing with age limits of employment, maximum hours of employment, contributions to pension funds, ages of retirement, and bonuses payable upon discontinuance of employment. These are but

a few of the legislative handicaps to foreign business, designed, doubtless, from good motives, but none the less objectionable on the part of business which has not been accustomed to such restrictions. These matters coupled with the slow-moving, cumbersome, and, in some instances, political influence, methods of governmental contact with business activities, make it of vital importance for foreign businesses to be well informed before undertaking ventures in South America and well represented after starting them. And, in the matter of representation, too much importance cannot be placed upon the advantages of knowing the local language and at least something of local conditions, laws, and customs. Perhaps, it is also worthy to note that ordinary American "push" methods of salesmanship and advertising are looked upon in South America as undignified and somewhat of an affront to native pride. It is therefore of great importance to study the local mind, and in salesmanship and advertising to apply those methods which will attract rather than antagonize.

Under the continuance of favorable governments and circumstances, the resources of the South American countries and trade relationships with those countries are susceptible of profitable development, but their development is not unmixed with dangers and risks and justifies careful preliminary investigation and constant after-attention.

An article by Mr. Francis R. Hart, in the *Harvard Business Review*, contains an admirable summation of the difficulties which may hamper the development of steady and commercial relations between the United States and South America, and the following is quoted from his article:

"First as to the United States:

"1. On our part we need to overcome our fear as to the instability of a few of the governments; or, at least, to learn to discriminate between those concerning which there may be reasons for fear and those which have become relatively stable. The more responsible position the Latin-American countries have attained, and their increased dignity in the family of nations, have made the investment of foreign capital within their boundaries much safer than those persons with little knowledge of these countries realize.

"2. Our people have had little experience in foreign trade. We do not adapt our minds easily to the point of view of the other man. We have not learned to think internationally; we have the urge to sell but do not realize the correlative necessity to buy. The urge itself comes upon each industry intermittently; we wish to get into the foreign market when our home demand is satiated, and get out when it suits us. We have not learned the value of continued foreign trade relationships endured with mutual good-will during times of fulness and of trouble.

"3. We fear the foreign policy of our own Government; in fact, we are uncertain what it is. Each succeeding administration has had a new, or at least different, policy from the preceding one. We recall the "Big Stick" of Roosevelt and the Saratoga speech of Wilson. We have been on somewhat uncertain ground between the two.

"4. We fear our own laws, and are not sure that we know just what they mean in respect to foreign trade. The obtaining and holding of a foreign market for the products of many industries often require a co-operative effort and understanding between manufacturers, without which European competition might not be successfully overcome. We do not know to what extent this co-operation, when applied to the problems of importation and ocean transportation, is in violation of our national laws and policy.

"5. We realize, but do not attempt adequately to overcome, the handicap of our ignorance of the needs, laws, customs

and credits of our Latin-American customers.

"On the part of Latin-America:

"1. There is a very general fear of what they believe to be imperialistic policy of the United States. They are not sure that we are to be trusted. Does our release of Cuba or the Panama episode correctly reflect our aspirations? Are we sincere protectors of the weak, or are we hypocrites? Which of these did the conquest of Texas illustrate? Are we sincere in our protestations in respect to Haiti and Nicaragua, or have we a deeply hidden policy? If we are as honestly desirous to help the Latin-American countries as we profess, why did we, during and after the war, adopt a hypocritical policy towards the actual Costa Rican Government? Does the Monroe Doctrine mean to us that Europe must keep out, but that we may step in? Or does it mean, as they believe it should, that the states of America, *inter alia*, shall respect as inviolable the territory of each other? They know what we say, but are still uncertain as to what are our intentions.

"2. The introduction of American capital in a large way for great commercial developments in the way of transportation, oil, and farming hurts their pride. They welcome the benefits, but, regretting their own insufficiency, they resent the invasion from outside. Particularly is this so in regard to capital from the United States as its possible corollary, official intervention, is a nearer danger than with British or German undertakings.

"3. Their past experiences make them doubt the continuity of trade relations established with us. In many cases the responsible principals have not met and become acquainted. The old aloofness, although on the road to disappear, has not wholly gone.

"4. There is not yet the full correlation as between the three chief factors of international trade relations; exporting, importing, and banking.

"5. Our assumption of what we are pleased to call the part of a 'Big Brother' has a quality of condescension which is galling to the pride of peoples who value their own culture beyond ours, and whose colonial beginnings on this Continent antedate ours by a century."

The author quoted above further states that if difficulties are known and can be appraised, and if the need and wish to overcome them is mutual, they can be overcome. That this will happen to the advancement of trade relationships between North and South America, and on a mutually satisfactory basis, is a certainty.

America's Interest in the Reparation Conference

By GEORGE P. AULD, Former Accountant-General of the Reparation Commission

THE reparation negotiations now being conducted in Paris by the Young Committee are of large practical consequence to this country in our international relations and our domestic affairs.

The subject matter of the conference is one which ever since the war has had the most important effects on the political and economic life of Europe, and we can hardly fail to follow with absorbed attention, the writing of a new chapter in this great controversy.

As an exporting nation of the first magnitude, we cannot remain unaffected by the outcome of the conference. Annually we ship abroad five billion dollars' worth of the products of our factories, farms, forests, and mines. These exports, of which Europe takes nearly half, amount to seven or eight per cent. of our total production. This represents a highly important proportion of our activity, and any substantial decrease in it would throw our industries into the doldrums. Five years ago our Euro-